

EXECUTIVE SECRETARIAT
ROUTING SLIP

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| 12 | Compt | | | | |
| 13 | D/Pers | | | | |
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| 15 | D/PAO | | | | |
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Remarks

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Date

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

Executive Registry

S4-6135-3

October 30, 1984

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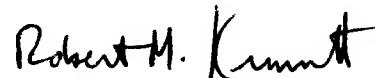
MEMORANDUM FOR [redacted]

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Executive Secretary
Central Intelligence Agency

SUBJECT: Soviet Energy Development (S)

Attached Tab A is a submission from the Department of Commerce concerning an ongoing CIA study on Soviet energy development undertaken at the request of NSC. Please forward this document to the relevant Agency staff for the purpose of incorporating these lines of inquiry into the research effort as appropriate. (S)



Robert M. Kimmitt
Executive Secretary

Attachment
Tab A Commerce paper

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Declassify on: OADR

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A.

TAB A

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ADDITIONAL TERMS OF REFERENCE
FOR ASSESSMENT OF SOVIET ENERGY DEVELOPMENT
AND ITS STRATEGIC IMPLICATIONS FOR EAST-WEST TRADE RELATIONS

(S) The Department of Commerce believes that for policy makers to have a complete assessment of the relevant factors, the following should be added to the Terms of Reference contained in the September 12 McFarlane to Casey memorandum:

(S) Foreign Availability of Petroleum Technology. Soviet purchases of western oil and gas equipment over the last 10 years should be examined in order to assess the role of various suppliers. The extent of foreign availability should be assessed for each stage of oil and gas exploration, production, transmission and refining. Analysis should be performed of Soviet ability to carry off projects using only domestic resources including sour gas and oil in Central Asia, projects in Northwestern and possibly other parts of Siberia, and offshore areas, including the Barents Sea.

(S) Emphasis should be placed on evaluating the ability of Western firms to carry off projects in the Soviet Union independently of U.S. firms. Could such efforts succeed without further U.S. input? Could Western firms do the job with technology already transferred to them? What would be the additional costs to the participants? Would there be time delays? Would the volume of production be lower as well as the rate of ultimate recovery? To what extent is there critical equipment or technology available only from U.S. firms? Is this equipment available from U.S. subsidiaries abroad such that extraterritorial problems of a serious nature could result if we tried to restrict them? In sum, assessment should be made of the feasibility of the Soviets and Western firms going ahead without U.S. firms, and the likelihood of their deciding to do so.

(S) International Petroleum Equipment Market and the Soviet Union. An analysis should be made of the expected future international petroleum equipment market and the impact of sales in the Soviet Union. What would be the impact of access by firms in industrial and newly industrializing countries to the Soviet market without U.S. competition? To what extent, if any, could resulting increases in technical expertise, scale of economy, and profitability have any enduring effects? Is there danger that Canadian, Norwegian, British or French companies could use Soviet experience to build their expertise up to equal U.S. expertise? Would exclusion of U.S. companies from a Western consortium working in the Soviet Union jeopardize U.S. company relationships in international projects outside the U.S.S.R.?

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(S) An assessment should be made of the extent of U.S. participation for which the Soviets are likely to opt. Are they likely to continue the present policy of sourcing as much as possible from non-U.S. suppliers and purchasing in the United States only what is not available elsewhere? Under what circumstances, would the Soviets be likely to favor U.S. suppliers or exclude them? Do the Soviets really want major project participation by U.S. companies, or are the Soviets saying they want U.S. company participation principally as a means of extracting better terms from foreign companies? Under what circumstances would the Soviets give U.S. companies the lead in oil/gas projects, knowing that the U.S. Government could curtail the activities of these companies at any time in the future?

(S) Western European and Japanese Attitudes Toward U.S. Policy. Analysis should be made of the likelihood of the Western Europeans and Japanese cooperating with proposals to deny items of energy equipment and technology to the Soviet Union. Under what circumstances is this likely to happen? Why would they be willing to control oil/gas items they have already refused to include in COCOM? An assessment should also be made of how U.S. policy affects Western European and Japanese attitudes toward export of energy equipment to the U.S.S.R. Do U.S. unilateral controls, for example, increase the likelihood of acceptance of U.S. proposals to control dual-use energy equipment and/or energy technology more generally?

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